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ANNUAL
REPORT

"Dairymen Since 1898"

DIRECTORS

R. W. Greenwood - - - - -	Burlington
F. W. Hamilton - - - - -	Ancaster
R. D. Isbister - - - - -	Hamilton
D. A. C. Martin, Q.C. - - - - -	Hamilton
A. S. McKee - - - - -	Burlington
N. R. McLeod - - - - -	Winona
W. P. Pigott - - - - -	Ancaster

OFFICERS

President - - - - -	F. W. Hamilton
Vice-President and General Manager - -	R. W. Greenwood
Vice-President and Assistant Secretary - -	A. S. McKee
Secretary-Treasurer - - - - -	N. R. McLeod

BANKERS

Bank of Montreal

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

PLANT AND OFFICES

Head Office — 225 East Ave. N., Hamilton, Ont.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

We submit herewith the balance sheet of the Company at December 31, 1968 together with the Statement of Source and Application of Funds and the Statement of Income and Retained Earnings showing the results of operations for the year. The report of the shareholders' auditors, Chagnon, MacGillivray & Co. is also enclosed.

Net profit for the year 1968 of \$76,105 is approximately 7% higher than the figure of \$71,405 for the previous year. Current year profits represent \$2.03 per Class A Share and \$1.07 per Class B Share corresponding to \$1.90 and \$.98 respectively for 1967.

The dollar value of sales increased by less than 2% over sales for 1967 despite increases in milk prices to the consumer. This reflects a lower physical volume of sales during the last six months of the year and the continuing trend from home delivery to store sales. Sales of subsidiary operations increased during the year but to date have made no contribution to earnings.

Deliveries were extended into Brantford as a result of the purchase of Riverview Dairy Limited in 1967. To improve efficiency, depot operations in Caledonia and Burlington were consolidated with the main plant in Hamilton.

Net expenditures on capital equipment during the year amounted to \$149,000.

On behalf of the Board of Directors,

FRED W. HAMILTON,
President.

March 26th, 1969,
Hamilton, Ontario.

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	1968	1967
Sales	\$ 4,467,160	\$ 4,397,926
Cost of Sales, Including Selling, General and Administrative Expenses	4,267,817	4,224,873
	199,343	173,053
Provision for Depreciation	92,477	78,746
Net Profit before Taxes on Income	106,866	94,307
Income Taxes	46,500	39,000
Net Profit from Dairy Operations	60,366	55,307
Income from Marketable Securities	15,739	16,098
Net Profit for the Year	76,105	71,405
Retained Earnings at Beginning of Year	587,163	563,258
	663,268	634,663
Reduction in Allowance for Decline in Investments	7,350	—
	670,618	634,663
Dividends	47,500	47,500
Loss on Sale of Marketable Securities	7,331	—
	\$ 615,787	\$ 587,163

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

(with comparative figures for the year 1967)

Source of Funds:	1968	1967
From Operations:		
Net Profit	\$ 76,105	\$ 71,405
Depreciation	92,477	78,746
	168,582	150,151
Decrease in deferred expenditures	14,718 (3,815)
	183,300	146,336
Application of Funds:		
Additions to Fixed Assets—net	149,354	95,178
Mortgage Payments	400	400
Dividends Paid	47,500	47,500
Investment in Subsidiaries	—	25,778
Loss on Sale of Marketable Securities	7,331	—
	204,585	168,856
Increase (Decrease) in Working Capital	(21,285) (22,520)
Working Capital — Beginning of Year	174,342	196,862
Working Capital — End of Year	\$ 153,057	\$ 174,342

ROYAL OAK DAIRY LIMITED

Notes to Financial Statements For the Year Ended December 31, 1968

1. The Company has not included the assets and liabilities and income and expenses of its wholly owned subsidiaries in its financial statements because the operations and size of the subsidiaries are either different in character or insignificant.
2. (a) The aggregate losses less profits of the subsidiaries for their fiscal periods ending in the year 1968 amounted to \$25,089 none of which has been included in the financial statements of the Company.

(b) The aggregated losses less profits of the subsidiaries since the dates of their acquisition amounted to \$22,232 none of which has been included in the financial statements of the Company.
3. The Company has guaranteed bank loans of one of its subsidiaries up to an amount of \$100,000.
4. The total direct remuneration paid to Directors and Senior Officers of the Company in the year 1968 amounted to \$94,300.

